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EDITED TRANSCRIPT

ST.N - Sensata Technologies Holding PLC at JPMorgan Global Technology, Media and Communications Conference

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PRESENTATION

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Good morning. I am Samik Chatterjee, the networking equipment and IT hardware analyst. And so the next company we have presenting here are -- here for the fireside chat format is Sensata. And interestingly now this is the company I've been covering the longest. So thanks for your participation, Martha. Thanks, Joshua. Martha's -- just in terms of introduction, Martha is the CEO of Sensata, and Joshua, is from Investor Relations. Martha, if you can -- I believe you want to start with a few prepared remarks and then we can sort of go into the Q&A.

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Sure. Just a couple of comments to level set for those that may not know us. We're an industrial technology business with great secular growth dynamics, very strong operator. For those of you that are used to, let's say, a semi model, we are not a semiconductor business, but we're probably more like an analog business. It's not a bad model. We're asset-light. We're sort of like a fab-less analog model. What we do is very custom. We focus on sensors. And in our end markets, we've seen a long pervasive demand for sensors independent of end-market dynamics. About 60% of what we do is in auto. We have a strong position in the HVOR market, also diversified industrial. We're quite global. Our fastest-growing region of the world and has been for a long time is in China. We're very high-margin business. We've got great cash characteristics of low tax rate, high cash generation. And we're in the very, very final stages of redomiciling to the U.K. So we've been a Dutch-based legal company. We're becoming a U.K. company. And the reason we did this and it was a long project is that we want to get back to optionality on capital deployment. We've got a terrific track record of M&A. We've created very high returns, a lot of value. We also want to be able to return to share repurchases as part of our capital deployment strategy. So that's some of the high-level backdrop on Sensata. And let's talk about what's on your mind.

QUESTIONS AND ANSWERS

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Sure. Thanks for that brief overview. I do want to mention that we're webcasting this. So for all of you on the line, you can submit questions as well. And we can pick that up as we turn to the audience for questions later in the session. So just to start off Martha, just starting high-level at the guidance that we -- that you gave for the full year here, mid-single digit organic revenue growth, 100 basis points of EBIT margin expansion and that combines to give a double-digit EPS growth. So quite a high leverage related to what we see in auto companies in the space. What's driving that high leverage in the business with mid-single digit revenue growth translating to that high-margin expansion? And how sustainable is it even beyond 2018?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes. Again, I think our high margins and our ability to expand margins is one of the unique characteristics of Sensata. So Samik, thanks, for the setup there. I will tell you that's coming out of 2017 where we delivered 11% EPS growth on about 4% overall organic growth. We've got a lot of confidence on sustaining that growth. We've actually provided a 3-year guide that expands our margins, 250 basis points over the 3 years. And you can see we're well on track to do that. And that's coming from a number of things. One, it is leverage and productivity on our volume growth.

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It's also the fact that we are now in the later stages of completing our integrations on some large acquisitions. And so we've remaining synergies that play out that are operational synergies, independent of top line. Our integration stand, which we actually include in our P&L, is also coming down over that time horizon. So that combination and also, as we complete the integrations, we take that effort and returning it towards significant new productivity initiatives. So with that pipeline of effort, we're very confident in the overall EBIT expansion.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Great. Thanks for that. So you've talked about 2018 being a year of capital deployment. And you just mentioned the redomicile to the U.K. What have you factored in your 2018 guide? Or even your 3-year guidance that you've issued in terms of capital deployment plans?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Sure. So our guide does not include capital deployment. So that's all done on a constant share count basis. So when you look at, again, double-digit, consistent double-digit earnings per share growth, that's independent of the fact that we expect to deploy capital that should improve from there. As I mentioned, we did a lot of work now to make sure that we augment what's been really nice M&A execution with share repurchases. And we expect that repurchases will happen in 2018. However, they were not comprehended in our guide.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

And if -- can you just size that up in terms of what's your current leverage? What is your target leverage for operating the business in the long run? So how much sort of, I guess, cushion that -- does that create for you to deploy that excess capital?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes. We're seeing with quite a bit of cushion today. And again, if you look back, a very strong track record of using our balance sheet to create value for shareholders. So it's important we think to be able to maintain a credit rating that's just below investment grade when we look at our ability to get great financing at that leverage ratio that has sustained in the range of 2.5, even up to 4.5. Although we don't contemplate getting to that leverage ratio. We've been able to maintain that rating within that range. And we're sitting at about 2.8 today, with strong building cash reserves, a really viable ability to tap the revolver if that becomes part of the piece. Don't think that we need to go out and do anything significant from a debt perspective in order to deliver on repurchases.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Got it. So the Analyst Day, in December, and I really liked that event to be honest, given the guide you gave. And there was expectation for acceleration in the organic revenue growth. And you already started to see that materialize in 1Q. I believe you had 6% organic revenue growth. So what's driving the acceleration as you sort of look over this 3-year horizon? What in your mind are the big levers for that organic great -- growth to accelerate.

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Sure. So as I mentioned at the start here, we've got exposure to a very nice set of secular growth opportunities, and we have had that in the business. If you look at the largest end-market we have in auto, having completed a large acquisition a couple of years back, we knew that that growth rate was going to come down until we retool that business. We're seeing the growth happening. We saw it in our run rate in the fourth quarter inside of auto. That restoration of organic growth in auto is an important element of that. We expect the secular dimension to be about a 5% grower over that 3-year time horizon. And you already saw that in the first quarter of this year. I think very importantly, if you look at the non-auto, the heavy-vehicle industrial side of our business, we're performing at about 6% overall organic growth rate. So really strong confidence in our ability to deliver. The

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last thing I would say in that three-year guide, the nature of our business we saw it for mission-critical very difficult to do applications. So you'll find us embedded in motors. You'll find us in a braking system. You'll find us in things that are really mission-critical. The point being that once we win business, it is really rare for us not to hold onto that business. So if you consider us just extending what we have today in contracts we've already secured, it's a long cycle business. 90% of our revenue guide for 2020 is secured, so to answer your question. That's what gives us the confidence we're going to deliver.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

So if I can dig into the automotive business a bit more here and you touched on it's -- in your last answer, but one of the frequent pushbacks I used to get on Sensata was when you compare to automotive industry growth over the last sort of 2 years, there wasn't that much outgrowth to the industry and that's clearly changed over the last 2 to 3 quarters where you've outperformed the industry materially. What sort of making that change happened? That's, obviously, been a positive development, but what's driving that change? I mean, we know that various sector drivers in terms of automotive sensors, increasing adoption, but is that really the inflection? Or is it, as you just mentioned, like just the acquisitions and sort of cycling out of those acquisitions is driving that improvement?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes. So one of the larger acquisitions we made was in tire pressure sensing. And that's a business that grows nicely, but episodically. And so when we made the investment, we were counting on a mandate in China for tire pressure sensing. That mandate has happened. The time for implementation, the actual mandate comes into play in late 2019 and 2020. And we're already shipping into tire pressure sensing in China. So we've been able to make the case that this has got consumer benefits. It's got OEM benefits we're seeing that on the run rate today. And did not -- had not expected that to grow until we sort of got to this time horizon. On top of that given what's happening in electrification, so we're shipping into hybrids today that average us up on our overall per vehicle content. So on a more conventional vehicle, we sit at mid-30s in mature market. And then with electrification, we're adding anywhere from $5 to $8 of content. And that grows as the electrification becomes more ambitious, as we move into plug-in hybrids and EV's. So we're seeing that dynamic today. I mentioned China, the tire pressure sensing mandate. We're actually sitting at about $11 of content per vehicle in China today. And that moves up by 50% in the 3-year time horizon. Tire pressure is only one of the reasons. We're seeing drive towards cleaner, more efficient and enforcement in the auto fleet on those kinds of mandates in China. We're seeing a wholesale modernization of the fleet that's really allowing us to accelerate growth. If we circle back to the more mature economies, its mandates around things like real driving admissions. So post-dieselgate, there are requirements now in Europe and to certain degree in North America where you have to show that in the field, you're actually meeting those requirements. And that requires more sensors and that's driving our business as well.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Got it. So if I can follow-up on the content opportunity that you mentioned on electric vehicles as well as hybrid vehicles. So at this point, investors understand the incremental content opportunity that Sensata has, but one of the frequent questions we get is what drives confidence that given your leadership in gasoline vehicles or internal combustion engine vehicles, you'll be able to translate that into a similar leadership on electric or hybrid vehicles? And what's the -- and the competitive landscape there seems to be evolving rather than sort of a more mature stage at this point? So what drives your confidence that you would have a similar share of that market? And what are you seeing in terms of the competitive landscape right now?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Right. So a little bit of baselining. The largest part of our sensor content in auto is not in powertrain. So we got very strong positions all around the vehicles. So whether that's tire, whether that's climate control, whether that's steering, whether that's braking systems we sit with very dominant positions. We see that content growing as the vehicle becomes more electrified because efficiency is really important. So our climate systems are moving from a single sensor to multiple sensors. To regenerate energy out of braking systems requires the same kind of uplift on overall sensors.

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That's a very familiar competitive environment. We're also embedded in motors today in the vehicle. So if you look at D.C. motors in a vehicle, you're going to find Sensata. We've had an electrical protection. That's a long-standing portion of our business that actually plays in the industrial environment as well. And then I'll tell you that 10 years ago, we had no powertrain position. So we're actually moved into powertrain to compete with new competitors, did it very, very effectively. So what we don't see is a major shift in the competitive dynamic. What we do see is the need to adapt our portfolio over time to bring more solutions and actually greater opportunity coming from our automotive business and we're doing that effectively.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Got it. Over the time that I've followed Sensata, generally your outlook for the automotive industry growth has always been a bit conservative relative to where the industry is or the widely followed source in the automotive industry, which you know is IHS Automotive. So right now, if I were to ask you where do you see major variances versus where the industry is expecting growth in North America or China? Where do you see the big risk either to the downside or the upside?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

I think almost every new term we go into, we get this question about, aren't you being conservative when you compare our outlook to IHS? And then I think at the end of the year, we pretty much land. I think we've done a reasonable job on that front would be my point. We're not here to give you third-party forecast. What I'll tell you is, for example, at our Investor Day, we talked about things like we expect 0 help from production in the overall global automotive market over the next 3 years. And that's when we looked at what time it is in the cycle in North America, which represents 18% of our revenue. What time it is in Europe, actual end-market that grows in China. And we put that together, we're expecting really no help from production in 2018 and no help from that overall 3-year time horizon.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

More recently, we've seen announcements from Ford, for example, in sort of exiting the passenger car business completely. Do you have a view on what kind of impact that would be for the industry and for Sensata? Do you see that as a major shift that probably does increase pressure on the supply chain?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

We don't. And the reason for that is where we play in the vehicles what's called body and white. So you'll find us in mechanical systems like breaking, air conditioning. We talked about the powertrain. We're agnostic about whether or not that's a b-level segment Sedan or whether that's a pickup truck. And that is because we have content across the fleet on that front. So we don't feel as though that's a dynamic that's really critical to overall Sensata and it's frankly, they're just catching up with where the market is going. If you look at what's happened in North America, the demand for sedans has been down for quite a while.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

All right. If we move to heavy vehicle market and we've seen strong growth in the truck market overall over the past sort of few quarters. Yet what is noticeable is investor sentiment has suddenly turned bearish on the truck market, which is quite interesting. So if you can share what your outlook for that market is? Do you really think it's at a peak right now? And what are your expectations for Sensata's revenue growth even in the absence of any industry help there?

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Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes. So about 15% of our overall revenues go into what we call our Heavy Vehicle and Off-Road segment. Of that 15%, about 15% of that is on highway truck market in the U.S. And I think that's the end market point of concern. Our expectation for that end-market growth is 3% overall between now and the 3-year time horizon. It's growing much more strongly now than that's growing at about 5% to 6%. Much more importantly, we've been growing double-digit in Heavy Vehicle and Off-Road for quite a while now. And we expect that double-digit to continue. And that gets back to the secular growth dynamics of the business. So what's driving that? For example, on the off-road piece of this, we're seeing a wholesale movement from mechanical, hydraulic controls in the cabin to electronic electrical. And that requires sensing technology and subsystems and software that we provide that's driving really significant growth in the 3-year time horizon. In the on-highway piece of it, continued mandates around clean and efficient. And I saw very significantly we're extending tire pressure sensing into the commercial truck market. And that's becoming really important to fleet managers who can save on energy costs and who are actually now taking that information and putting it into a telematics layer. So that combination of sort of an IoT play there, traditional efficiency gains is helping to drive some of that content growth as well.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

You touched on China earlier on the sensor opportunity there, but I wanted to sort of check with when you mentioned the 50% increase in sensor content. Is that primarily driven through a volume increase in the number of sensors that you see adopted on a vehicle over time? Or is it also a question of increasing prices where today most of the sensors that they use are maybe not according to the global standards and you see an increase in this the quality of sensors that they adopt over time? What is the dynamic there that you see?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

I'd say it's much more the former, Samik. If you look at, it's just more sensor content. And so just recognizing, I talked about us being in the mid-30s in mature market on average dollar per vehicle. We're sitting at $11 today in China, moving towards $16. And that is more sensors on vehicles and then growing from there. So it's all of the dynamics that we see in the mature markets plus things like tire pressure sensing plus the fact that there is just still modernization of the fleet happening. So if you're in a Tier 2 city in China in a vehicle -- in a consumer vehicle, you probably don't have automatic climate control today. You may not have stability control system. So things that you're that -- we're all sort of used to driving around in, those are now accelerating in China as well. So it's a nice area for us.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Can I get your latest thoughts on the LiDAR market? And your partnership with or opportunity with Quanergy? The previous company that was here in this room also does manufacturing of components for LiDARs for some of those LiDAR suppliers. But how -- and they're pretty bullish on that opportunity as well. So where are you in terms of, if you would ask to size that opportunity, I don't know if you have a view exactly on that, but what is the opportunity there? And where is Quanergy in terms of driving towards the price point that they had promised the industry in terms of reaching a very commercial price point for the LiDAR?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

So the focus we have in LiDAR is on bringing a solid state LiDAR to market. So recognize today there are mechanical products that are available. We see them in the industrial market. We see them in robo fleets, expensive, not very reliable. We're very bullish on the need for solid-state LiDAR in the automotive environment. When we made this investment, we made an equity investment. We have a strategic relationship with Quanergy. That makes us the exclusive channel for that technology into automotive. We made that investment “gosh” 2 years ago now. And one of the big uncertainties was whether or not the industry would really need LiDAR to do Level 4, Level 5 driving. We are more convinced than we've ever been that LiDAR is, absolutely, mandated for Level 4, Level 5. I'd say on the flip side, we think that time horizon to get to meaningful levels of that level of autonomy is probably pushed out a bit. So we knew it was a long-term play when we made it. We still think it's a long-term play, well beyond the 3-year time horizon. But the overall opportunity on the low end probably about $2 billion overall sensor market opportunity for LiDAR alone, which is why we made the investment and why we continue to be focused on it.

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Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Before I move on to questions about the Sensing Solutions business, I did want to check with you one of the consistent themes for Sensata has been, that it's been acquiring companies to add to its leadership position in sensors. So -- but it's been sort of over a year since we saw you do any major acquisition. How should we think about the M&A pipeline right now? And if we were to sort of make an acquisition today, which technology or which segment would that be focused in? And if I can bring Joshua in on this question as well, in your discussions with investors, I know we've gone through this cycle of investors sort of wanting you to do an acquisition as well as gone back and where investors don't want you to add leverage and don't want you to do an acquisition, what is your sense of what the investor sentiment is right now on you doing an acquisition?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes. So let me kind of characterize our thoughts on M&A today. We're really proud of our track record as acquirers. We are very careful in terms of disciplined about making an acquisition and making sure that it's a return-based analysis and that the underpinnings of that return are very clear and part of the way we go off and then integrate. We very rarely acquire businesses that are at our high margins. So part of that returns thesis is bringing those businesses up to our margins. And over time, really important that we're able to grow businesses and get them to a leadership position. So that's part of the overall playbook. Having said that, when we look at what came out of our CST acquisition, our large acquisition that we did, that moved us into the industrial landscape. We did that to bring balance to the business. And we did that because we also saw the same secular opportunities for sensor growth extend into adjacent markets, not just auto. That's now given us a position in these vertical markets of a much more fragmented sensor base. And so much more byte-sized opportunities as a result. So I would say it's an active and full pipeline. It's more biased towards more I would say smaller byte-sized opportunities than the last couple that we have done and that's not to say that they are not large potential acquisitions, but more of it biased towards the smaller end. It's also a time where we think valuations are high. And so with that realization getting back to the ability to be optional in the way we deploy capital, we think it's important. You can expect Sensata to continue to do acquisitions, but as 1 of 2 important levers on our capital deployment strategy. You want to add to that Joshua?

Joshua S. Young - *Sensata Technologies Holding PLC - VP of IR*

Yes, so if you look at Sensata, we definitely use our balance sheet to create values. If you look at the 2 deals that we did, we went through them in our last Analyst Day, Schrader which was a deal we did in 2014. We think we'll get a 20%-plus return. CST, we're targeting a return of 13% to 15%. So after these 2 deals, we were at 4.6x net leverage ratio. Today, we are at 2.8x. So as we think about going forward, we want to stay one notch below investment grade, which generally means we'll be in the range of 3x. We don't have any plans to lever up back over 4 that was an outlier over the last few years that gives you a sense of where we are in terms of returns we generate.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

At this point, maybe we can check if there are any questions in the audience?

Unidentified Analyst

So could you just comment a little bit on with the evolution to the connected car, whether you think you might be doing more partnering with some of the larger semiconductor companies in that or your approach that you've taken so far is the one you want to stick to? And I guess, also if you think that seems to be the way other analog companies that you consider peers are taking that approach?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

I think as it relates to connectedness in the car, what's really natural extension given where we're embedded today on the vehicle and then given the interest in prognostics and diagnostics that plays really nicely into the kinds of information that either fleet managers or service providers OEMs

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who now pivot to more of service providing, that's really nice overall functionality. We are the largest provider of a wireless sensor today in automotive. And we've got a really strong capability and the protocols required to do that. And we're getting pull in terms of bringing more of that functionality to allow our customers to be more connected with information that comes right of the vehicle on the way that it's running. And so we think what we have what we need to get that done. When you talk about partnering with other semiconductor providers, we work with other semis today and given we're not a semi house, we actually do design and actually do build some of our own semiconductors. But we actually partner and acquire from other semis as well to get the kind of functionality that we need. That's part of the playbook today.

Unidentified Analyst

When you talk about China there were reports (inaudible)

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Just a moment for the mic.

Unidentified Analyst

If you're content in developed markets is $30 and your content in China is $11, moving towards $16. What would -- if you use $30 as sort of a unit sensor volume, what would that be the equivalent in China? Would it be $30 or would it be less?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

I think over time it's definitely aligned with that. And I think over time, we see that moving from $30 end up all over the world given these themes. So far -- and so far in auto, we've been there for 20 years. We've seen a lag that -- that's probably 2 or 3 regulation cycles behind. As with some of these other themes, we think that, that actually gets a bit shortened as well. So when we look at electrification, I don't think that that's going to be following in terms of mature market. So that could be one that actually accelerates a little more quickly probably beyond the 3-year time horizon. But that I think will be different than sort of the safety mandates and the pollution control and efficiency mandates that we've seen elsewhere.

Unidentified Analyst

What are the opportunities in India? And current spend per vehicle there?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Opportunity is high. Content is quite low and below $10 a sensor by a lot. It's been a while to evolve. We actually think of India not -- when we think of vehicles, we think of it quite broadly. So we actually have some plays on the motorbike side of it as well and all the way up into the truck piece of it. It's developing in a way that is more consistent and healthier. I think it doesn't become hugely material until we get towards the end of our 3-year cycle.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

So if you can then...

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Unidentified Analyst

(inaudible)

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

I'm sorry, didn't hear that.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

So hold on, we should connect here.

Unidentified Analyst

Can you talk about any capital spends that might be coming up in the next 2 to 3 years?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes. Our capital spend has ranged between about 4% and 5% of our overall revenues when we look at capacity that we have from a bricks and mortar perspective. So we're largely a manufacturer. We do most of that in-house. We've got capacity. And we don't see the need for sort of a disproportionate capital spend from either a bricks and mortar standpoint. We have a single instance operating system that's Oracle-based today. We've kept that up to date. So not a need for a major investment. The kinds of things that would drive a disproportionate capital investment we don't see those on the horizon.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

If I can then move to the Sensing Solutions group, which I haven't really asked on till now? What are the latest trends you're seeing in industrial spending, both in the U.S. and in China? And just given the sort of economic environment we're in with some decent tensions in the sort of trade front for U.S. and China, does -- do you see that impacting economic growth and hence, your Sensing Solutions industry spend?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Yes. I think to answer the second piece first, we really don't. Increasingly what we do ex-auto in China is, China for China. And so while there's a portion of the business that exports it does not ships into people who export. It's not a big part of the overall business. It shows up in small appliances, for example. So we see some tension on that front, but we don't see things that impact the overall revenue. I think much more importantly what we're excited about just given the 6% organic growth and what's driving that is lots of headroom on that front. So in China, for example, we're seeing the need for sensors embedded in water pumps, in boilers, in industrial equipment because there is an efficiency drive in China that's very meaningful. And there are some really rudimentary things moving from heating homes. We are moving from still coal-based home heating in China into oil-based and natural gas, and so forth and that's driving demand for us there as well. It's part of what's driving the overall 6% growth.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Okay. And have you seen any changes in the industrial spend in the U.S. after the tax reform actions?

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Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

No. We really have not. And that's probably a function of what we ship into. I know that we're in aerospace. It's about 4%, 5% of our overall revenues today. I know there are concerns about what happens to Boeing, it's a very long cycle business. So we don't -- we haven't seen anything from an order standpoint that suggests that's being disrupted.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

So as you mentioned aerospace there, what are -- when we look at the content opportunities for Sensata when it comes to the aerospace business, what are the drivers for content growth there? Are you seeing more proliferation of sensors as well into that business?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

We are. We're seeing some really nice opportunities that play to our strengths. So one of the things we see happening is actually getting much more compact on the turbine, on the engine. So getting smaller and more embedded and the need for sensors to do that. It makes a sensor job more difficult, and you need more of them. So that becomes a really nice value play for Sensata long cycle. This is even longer cycle than our auto business, which tends to run 3 years out in terms of design wins. So we're seeing those wins, and we expect that that's going to continue to extend the growth.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Just the last question from my side. When we looked at the -- when we looked at the Sensing Solutions business, historically, the way we've looked at it or modeled it is in line with economic growth and sort of more in line with the industry. Whereas within that sensing business, which is, I think, roughly $70 million, $80 million in terms of revenues, that actually is an opportunity where you're driving content growth. And so what is the latest growth you're seeing in that sensing piece of the business? And which are the markets that you are addressing first with that sensing business?

Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Okay. So I think just to bring everybody in line, about 30% of our revenues are not exposed to the secular piece. About 70% has a secular dimension. That 30% largely sits inside Sensing Solutions. And yet, you've seen very strong organic growth there, much more than end market. And that gets to what's Samik is referencing. We have an industrial sensing group within that segment. That's growing at about 9% organic today. And so it's over a couple $100 million in revenue. And what's driving it are some of the things I talked about. So building solutions now, particularly in China, where we're bringing much more efficiency into the building and we're seeing that get some good traction. The move from -- to variable refrigerant flow systems in HVAC driving that growth. We're in medical equipment, lots more sensors, lot higher-value sensors growing on the medical side. We're actually able to take some share because with the acquisition of CST, we got the channels. And we're bringing really nice cost positions that we have in auto into that vertical. And so that's what's driving the growth, and we expect that to extend over time.

Samik Chatterjee - *JP Morgan Chase & Co, Research Division - Analyst*

Great. Thank you for your participation in the conference. Thanks.

Joshua S. Young - *Sensata Technologies Holding PLC - VP of IR*

Thank you.

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Martha N. Sullivan - *Sensata Technologies Holding PLC - CEO, President & Executive Director*

Thank you.

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